

Message Text

SECRET

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21

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O R 250922Z AUG 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC IMMEDIATE 1084

INFO AMEMBASSY SINGAPORE

S E C R E T KUALA LUMPUR 5071

EXDIS

E.O. 11652: GDS

TAGS: PFOR, MASS, MY, SN

SUBJ: M-16 RIFLES FOR MALAYSIA

REF: STATE 201489

1. MINDEF SEC GEN SAMAD TELEPHONED AFTERNOON AUG 25 TO ASK USG POSITION ON \$25 MILLION FMS CREDIT FOR MALAYSIA. I TOLD HIM I HAD JUST RECEIVED MESSAGE FROM DEPARTMENT (REFTEL) THAT SAID WE WERE GIVING MALAYSIAN REQUEST PRIORITY CONSIDERATION BUT WERE NOT YET IN POSITION TO PROVIDE DEFINITE WORD. SAMAD SAID MIN-DEF AND COLT WERE CLOSE TO FINAL AGREEMENT ON PURCHASE OF 41,000 M-16'S. THE AGREEMENT PROVIDED THAT 10,000 WOULD BE SHIPPED NO LATER THAN 31 DEC (I DOUBLED CHECKED THIS; HE DID NOT KNOW WHERE COLT WAS GETTING THE M-16'S) WITH THE BULK BEING DELIVERED IN MONTHLY INSTALLMENTS BY JUL 1976.

2. SAMAD SAID HE WAS STILL TRYING TO SQUEEZE A LITTLE BIT OUT OF COLT ON PRICE BUT THE ENTIRE AGREEMENT WOULD COME TO ABOUT US\$13 MILLION, WITH 10 PERCENT DOWN AND THE REST DRAWN AGAINST LETTER OF CREDIT. HE THEN DESCRIBED HIS FINANCIAL WOES IN SOME DETAIL, CONCLUDING THAT HE WOULD BE ABLE TO GET HIS HANDS ON THE 10 PERCENT DOWN PAYMENT BUT THE FMS CREDIT WAS NEEDED FOR THE OTHER 90 PERCENT. I TOLD HIM I WOULD REPORT OUR CONVERSATION TO THE DEPARTMENT AND ASK THAT DECISION BE MADE AS QUICKLY

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AS POSSIBLE.

3. COMMENT: SAMAD ACTED AS IF DEAL COULD NOT BE
CONSUMMATED WITHOUT FMS CREDIT. AS WE HAVE INDICATED
IN PREVIOUS REPORTING, WE ARE NOT CERTAIN THAT THIS IS
SO. IT STILL SEEMS UNLIKELY THAT GOM WOULD FOREGO
PURCHASE OF SMALL ARMS IT BADLY WANTS BECAUSE FMS
CREDIT NOT FORTHCOMING. ON OTHER HAND, ASSISTANT
SECRETARY HABIB TALKS PRIME MINISTER RAZAK AND VISIT
OF TEAM IN JUL HAS LEFT IMPRESSION WITH GOM THAT
CREDIT PROBABLY WILL BE FORTHCOMING. THEREFORE, IF WE ARE GOING
TO EXTEND CREDITS, RECOMMEND THAT WE DO SO FOR THIS
PURCHASE WHICH HAS HIGHEST PRIORITY ON GOM SHOPPING LIST.
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